



State of New Jersey

DEPARTMENT OF THE TREASURY
OFFICE OF MANAGEMENT & BUDGET
P.O. BOX 221
TRENTON, NJ 08625-0221

CHRIS CHRISTIE
Governor

KIM GUADAGNO
Lt. Governor

ANDREW P. SIDAMON-ERISTOFF
State Treasurer

CHARLENE M. HOLZBAUR
Director

TO: Department Chief Fiscal Officers

FROM: Charlene M. Holzbaur
Director

DATE: April 29, 2014

SUBJECT: United States Office of Management and Budget Circular A-87
Negotiation Agreement, Statewide Cost Allocation Plan (SWCAP)
for the Year Ending June 30, 2014, with Addendum to Cover Fringe
Benefit Rates for the Year Ending June 30, 2014

The 2014 Exhibit A of the enclosure reflects departmental allocations of central support service costs agreed to by the State of New Jersey and the United States Department of Health and Human Services (HHS).

The fringe benefit rate of 43.1 percent reflected in the addendum is for fiscal year 2014. This rate is to be applied to base salaries including vacation, holiday, and sick pay, but excluding overtime pay. The rate is applicable to members of the Public Employees' Retirement System (PERS), Teachers' Pension and Annuity Fund (TPAF), Teachers' Alternate Benefit Plan (ABP), and employees who are not members of a pension plan but are covered for health benefits. A rate of 53.4 percent for the Police and Firemen's Retirement System (PFRS) has also been negotiated.

These rates are for use in computing actual direct charges as well as for estimating charges to federal and other non-state funded programs. In addition, the rate is to be used to develop fringe benefit costs for inclusion in indirect cost rate proposals.

The employer's share of FICA taxes is not included in these fringe benefit rates. This cost is to be provided for in billings, estimates and indirect cost rate proposals at the rate prescribed by the federal government applied to taxable wages. The rate for calendar year 2014 is 7.65 percent of the first \$117,000 paid to each employee and 1.45 percent for gross wages above \$117,000.

Schedule A-1 of the enclosure reflects the plant operation and maintenance costs that represent occupancy costs of State-owned buildings allocated to grantee agencies for the year 2014. These costs for inclusion in agency indirect rate proposals must be treated by the agency as either direct or indirect costs consistent with treatment in prior years of similar costs charged to federal programs.

Fiscal Officers
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April 29, 2014

The enclosed information is being furnished to become part of your indirect cost rate proposal to be submitted to your cognizant federal agency within six months after the close of each fiscal year. Departments and agencies are reminded that it is the State's policy and each agency's responsibility to maximize the recovery of indirect costs. In all cases where non-state funded programs permit the recovery of indirect costs, agencies shall prepare and negotiate indirect cost rate proposals as required. Agencies shall apply the approved indirect cost rate to the appropriate base and transmit all recoveries of indirect costs to the Department of the Treasury.

A copy of the original proposal, which covers the Statewide Cost Allocation for the fiscal year ending June 30, 2014 as submitted to HHS, will be accessible on the State's website via: <http://www.state.nj.us/treasury/omb/newsletters/index.shtml#grantinformationarchives>. If you require additional information related to this proposal, please contact James F. Kelly via e-mail at james.kelly@treas.state.nj.us or by telephone at 609-633-3910.

Copies of each agency's indirect cost rate proposal and resulting negotiation agreement are to be forwarded to the Director, Division of Budget and Accounting. Departments or agencies that fail to furnish this information will not be eligible to be allocated a portion of indirect costs recovered by them during the fiscal year ending June 30, 2014.

JFK/nm
Attachments



DEPARTMENT OF HEALTH & HUMAN SERVICES

Program Support Center
Financial Management Services
Division of Cost Allocation

26 Federal Plaza, Room 41-122
New York, New York 10278
Phone: (212) 264-2069
Fax: (212) 264-5478
Email: dca.ny@psc.gov

March 27, 2014

Ms. Charlene M. Holzbaur
Director
Office of Management and Budget
State of New Jersey
Department of the Treasury
33 West State Street
CN 221
Trenton, New Jersey 08625-0224

Dear Ms. Holzbaur:

A negotiation agreement is being faxed to you for signature. This agreement reflects an understanding reached between your institution and a member of my staff concerning the rates or amounts that may be used to support your claim for costs on grants and contracts with the Federal Government. The agreement must be signed by a duly authorized representative of your institution and faxed to me; retain a copy for your file. Our fax number is (212) 264-5478. We will reproduce and distribute the agreement to awarding agencies of the Federal Government for their use.

As a result of this negotiation, the State has agreed to the following:

1. Section I of Cost Allocation Agreement

The State should provide a written explanation or analysis of any significant proposed increase in an individual component (e.g., Legal Services, Accounting and Fiscal Management, etc.) of the plan over the previous year. A significant increase would be ten percent or more over the actual amount negotiated the previous year for any one component, e.g. Personnel.

2. Fringe Benefit (FB) Proposal

Included in the negotiated fixed fringe benefit rate of 43.1% for fiscal year ending June 30, 2014 is a carry forward of under-recovery of \$235,752,289 from fiscal year ended June 30, 2012. Included in the negotiated fixed fringe benefit rate of 53.4% for Police and Firemen for fiscal year ending June 30, 2014 is an under-recovery of \$11,567,962 from fiscal year ended June 30, 2012.

Your cost allocation plan for fiscal year ending June 30, 2015 based on your actual costs for the fiscal year ended June 30, 2013 must be submitted to my office by July 31, 2014.

Ms. Charlene M. Holzbaur

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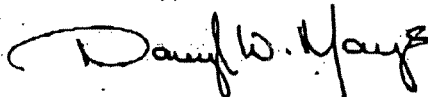
March 27, 2014

In order to effect a timely negotiation, your next plan must be accompanied by the following supporting information:

1. A certification of the plan by a responsible official.
2. A copy of your official financial statements supporting the costs contained in the plan.
3. An organization chart identifying those organizations rendering central services and all other departments, agencies, and bureaus, whether or not they are reflected as benefiting from services in the cost allocation plan.
4. Copies of audit reports, e.g., A-133 Single Audit, and those issued by independent accountants, State Auditor, etc., that address central service plan, fringe benefits, self-insurance funds, or internal service funds.
5. Copies of internal financial statements that relate to any of the items noted in (4) above.
6. The required plan documentation as specified in 2 CFR Part 225 (OMB Circular A-87), "Cost Principles for State, Local and Indian Tribal Governments", Attachment C, Section B, documentation requirement for submitted plans.
7. The Information Technology Cost Allocation Plan Proposal for FY 2015.

In addition, please acknowledge your concurrence with the comments and conditions cited above by signing this letter in the space provided below and FAX (212 264-5478) it to me with the enclosed negotiation agreement.

Sincerely,



Darryl W. Mayes
Deputy Director
Division of Cost Allocation

Enclosure

Concurrence:

Name

OMB DIRECTOR

Title

4/11/14

Date

COST ALLOCATION AGREEMENT
STATE AND LOCAL GOVERNMENTS

STATE/LOCALITY:
State of New Jersey
Department of the Treasury
Trenton, New Jersey 08625

DATE: March 27, 2014

FILING REF.: The preceding
Agreement was dated 12/04/12

SECTION I: ALLOCATED COSTS

The central service costs listed in Exhibit A, attached, are approved on a Fixed basis and may be included as part of the costs of the State/local departments and agencies indicated during the fiscal year ended June 30, 2014 for further allocation to Federal grants, contracts and other agreements performed at those departments and agencies.

SECTION II: BILLED COSTS

In addition to Section I, which provides for services furnished but not billed, the services listed below are furnished and billed to State/local departments and agencies.

1. Rent
2. Telephone
3. Insurance
4. Postage
5. Central Stores
6. Central Motor Pool
7. Information Technology
8. FICA*
9. Legal Services
10. Plant Operation and Maintenance
11. Capitol Complex Security
12. Division of Revenue Services

*Fringe benefit rates (exclusive of FICA) have been negotiated for the fiscal year ending June 30, 2014. See Addendum to the negotiation agreement.

Section III: CONDITIONS

The amounts approved in Section I and the billings for the services listed in Section II are subject to the following conditions:

- A. **LIMITATIONS:** (1) Charges resulting from this Agreement are subject to any statutory or administrative limitations and apply to a given grant, contract or other agreement only to the extent that funds are available. (2) Such charges represent costs incurred by the State/locality which are legal obligations of the State/locality and are allowable under 2 CFR Part 225 (OMB Circular A-87). (3) The same costs that are treated as indirect costs are not claimed as direct costs. (4) Similar types of costs are accorded consistent accounting treatment. (5) The information provided by the State/locality which was used to establish this Agreement is not later found to be materially incomplete or inaccurate.
- B. **ACCOUNTING CHANGES:** This Agreement is based on the accounting system purported by the State/locality to be in effect during the Agreement period. Changes to the method of accounting for costs which affect the amount of reimbursement resulting from the use of this Agreement require prior approval of the authorized representative of the Cognizant Agency. Such changes include, but are not limited to, changes in the charging of a particular type of cost from an allocated cost to be billed cost. Failure to obtain approval may result in cost disallowances.
- C. **FIXED AMOUNTS:** If fixed amounts are approved in Section I of this Agreement, they are based on an estimate of the costs for the period covered by the Agreement. When the actual costs for this period are determined, adjustments will be made to the amounts of a future year to compensate for the difference between the costs used to establish the fixed amounts and actual costs.
- D. **BILLED COSTS:** Charges for the services listed in Section II will be billed in accordance with rates established by the State/locality. These rates will be based on the estimated costs of providing the services. Adjustments for variances between billed costs and the actual allowable costs of providing the services, as defined by 2 CFR Part 225 (OMB Circular A-87), will be made in accordance with procedures agreed to between the State/locality and the Cognizant Agency.
- E. **USE BY OTHER FEDERAL AGENCIES:** This Agreement was executed in accordance with the authority in 2 CFR Part 225 (OMB Circular A-87), and should be applied to grants, contracts and other agreements covered by that Circular, subject to any limitations in Paragraph A above. The State/locality may provide copies of the Agreement to other Federal Agencies to give them early notification of the Agreement.
- F. **SPECIAL REMARKS:**

See Addendum

BY THE STATE/LOCALITY:

BY THE COGNIZANT AGENCY ON
BEHALF OF THE FEDERAL GOVERNMENT:State of New Jersey
State/LocalityDEPARTMENT OF HEALTH & HUMAN SERVICES
(AGENCY)Charlene M. Ibbzbaur
(Signature)Darryl W. Mayes
(Signature)Charlene Ibbzbaur
(Name)Darryl W. Mayes
(Name)OMB Director
(Title)Deputy Director, Div. of Cost Allocation
(Title)4/11/14
(Date)March 27, 2014
(Date)HHS Representative: Michael StackTelephone: 212-264-0944

PAGE 1 OF 2.ADDENDUM TO RATE AGREEMENTMarch 27, 2014

Agreement Reference Date

INSTITUTION: State of New Jersey
Department of the Treasury

ADDRESS: Trenton, New Jersey 08625-0224

FRINGE BENEFIT RATE

<u>Type</u>	<u>From</u>	<u>TO</u>	<u>Rate*</u>	<u>Locations</u>	<u>Applicable To</u>
Fixed	7/1/13	6/30/14	43.1%	All	All Programs (1)
Fixed	7/1/13	6/30/14	53.4%	All	All Programs (2)

*Base: Direct salaries and wages excluding overtime and part-time workers. (See comments below - Notes 3 and 5)

Treatment of Fringe Benefits: Fringe benefits applicable to direct salaries and wages are treated as direct costs. (See comments below - Note 4)

Fringe benefit rates of 43.1% and 53.4% are approved on a fixed basis for the fiscal year ending June 30, 2014, and should be used by grantee agencies for the following purposes:

- (a) For budgeting purposes on grant award applications.
- (b) For billing purposes.
- (c) For inclusion in their indirect cost rate proposal and must be treated as either direct or indirect cost consistent with treatment accorded similar costs charged to the Federal Programs.

Note 1:

The fringe benefit rate of 43.1% is calculated based on all direct salaries and wages exclusive of the following group of employees:

- Judicial
- Prison Officers
- State Police
- Police and Firemen

Note 2:

The fringe benefit rate of 53.4% is calculated based only on the direct salaries and wages of Police and Firemen.

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ADDENDUM TO RATE AGREEMENT

March 27, 2014

Agreement Reference Date

INSTITUTION: State of New Jersey
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ADDRESS: Trenton, New Jersey 08625-0224

Note 3:

Treatment of Paid Absences: Vacation, holiday, sick leave pay and other absences are included in salaries and wages and are claimed on grants, contracts and other agreements as part of the normal cost for salaries and wages. Separate claims for the costs of these absences are not made.

Note 4:

The following fringe benefits are included in the fringe benefit rates:

- Pension
- Health Benefits
- Unemployment Insurance
- Earned and Unused Sick Leave Payments
- Prescription Drug Program
- Dental Care Program
- Vision Care
- Temporary Disability Insurance
- Workers' Compensation

Note 5:

The fringe benefit rates are applied to salaries and wages of personnel that are included in the pension and/or health benefit plan.

In addition to the fringe benefits included in the fringe benefit rate, Social Security Taxes (FICA) are specifically identified to each employee and are charged individually as direct costs.

Exhibit A

State of New Jersey Statewide Cost Allocation Plan (SWCAP) - Proposal for the Plan Year 2012-2014
Summary of Fixed Allocations for the year ending June 30, 2014

Name of Agency Receiving Central Support Services	Office of the State Auditor (OSA)	Office of Management & Budget (OMB)	Civil Service Commission (CSC) *	Division of Risk Management (RiskMgmt)	Office of Employee Relations (OER)	Division of Purchase & Property (DPP)	Totals
Legislative Branch (excluding Office of the State Auditor)	-	(25,448)	76,083	8,354	5,100	34,872	99,961
Office of the Chief Executive	-	7,916	25,662	1,514	1,937	-	34,830
Department of Agriculture	(157,616)	339,132	38,015	8,085	2,448	44,957	275,022
Department of Banking & Insurance	-	78,845	110,815	2,071	8,189	64,900	264,819
Department of Children & Families	850,610	1,003,219	1,210,703	320,190	79,511	572,861	4,037,093
Department of Community Affairs	(337,161)	210,598	160,913	22,654	9,873	63,657	130,534
Department of Corrections	699,552	663,055	1,659,167	621,498	108,296	1,868,358	5,619,887
Department of Education	(53,650)	402,162	164,773	57,668	11,377	153,021	715,372
Department of Environmental Protection	1,369,380	822,048	523,006	145,555	33,957	597,922	3,491,867
Department of Health & Senior Services	(168,948)	462,694	273,957	49,566	17,076	284,359	928,704
Department of Human Services	1,263,717	1,316,380	2,776,666	2,558,073	184,701	2,286,751	10,336,288
Department of Labor & Workforce Development (excluding Civil Service Commission)	2,070,446	627,005	557,847	92,272	36,609	364,736	3,748,915
Department of Law & Public Safety	545,281	1,135,728	1,461,746	630,856	93,126	1,680,419	5,547,156
Department of Military & Veterans Affairs	1,345,066	335,466	290,703	210,398	19,794	752,190	2,953,616
Department of State	1,402	44,959	1,580,122	574,752	103,351	19,587	2,124,173
Department of Transportation	487,866	2,947,429	943,140	402,023	60,564	1,392,289	6,235,311
Department of the Treasury (excluding Central Support Services)	(98,100)	977,111	788,503	245,231	50,385	399,082	2,362,213
Office of Information Technology	140,511	32,414	125,163	(8,423)	7,779	48,086	345,531
Other Departments and Agencies	112,531	1,904,236	144,139	35,776	12,343	258,320	2,467,145
Judicial Branch	436,443	1,156,044	1,734,022	360,150	116,932	1,415,256	5,218,846
Totals	8,507,151	14,440,976	14,645,146	6,118,063	963,348	12,311,601	56,986,285

NOTES:

Data does not include either Fringe Benefit or Buildings and Grounds Rental costs
Formerly Department of Personnel

Exhibit A-1

State of New Jersey Statewide Cost Allocation Plan (SWCAP)
 Calculation of Physical Plant Operations & Maintenance Fixed Allocations
 For the year ending June 30, 2014

Name of Agency Receiving Central Support Services	FY2014 Allocation
Legislative Branch (excluding Office of the State Auditor)	
Office of the Chief Executive	\$ 1,615,611
Department of Agriculture	266,285
Department of Banking & Insurance	405,152
Department of Children & Families	(109,744)
Department of Community Affairs	(502,415)
Department of Corrections	(52,414)
Department of Education	-
Department of Environmental Protection	204,104
Department of Health & Senior Services	148,969
Department of Human Services	381,453
Department of Labor & Workforce Development (excluding Civil Service Commission)	(36,637)
Department of Law & Public Safety	85,345
Department of Military & Veterans Affairs	1,290,053
Department of State	-
Department of Transportation	(1,649,733)
Department of the Treasury (excluding Central Support Services)	(568,392)
Office of Information Technology	(338,869)
Other Departments and Agencies	(51,161)
Judicial Branch	(2,948,361)
	406,460
Totals	\$ (1,474,312)

NOTES:

Physical Plant Operations and Maintenance costs for service, which represent occupancy costs of State-owned buildings allocated to grantee agencies for inclusion in their indirect cost rate proposals, must be treated by the agency as either direct or indirect costs consistent with the treatment of similar (rental) costs charged to federal government programs.